

## POLICY RESEARCH WORKING PAPER

# Nontariff Barriers Africa Faces

## What Did the Uruguay Round Accomplish, and What Remains to Be Done?

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## Summary findings

Perhaps the major accomplishment of the Uruguay Round is agreements reached on nontariff barriers (NTBs). All NTBs imposed under the Multifiber Arrangement (MFA) will be phased out over 10 years, and all "voluntary" export restraints will be abolished. OECD countries' NTBs on agricultural goods will be converted to tariffs and then reduced by an average of 36 percent. Agreement was also reached on limiting subsidies and other agricultural export incentives.

As a result, the profile of OECD nontariff protection Africa faces will change dramatically. Formerly, about 11 percent of all Sub-Saharan African exports encountered NTBs; now this ratio will fall to about 2 percent. Formerly, 83 percent of Reunion's pre-Uruguay Round exports were affected by NTBs; now none will.

Some African countries, however, will be largely unaffected by the Uruguay Round's accomplishments. No NTBs on energy products were liberalized so coverage ratios for Angola, Congo, and Nigeria are still high — but the measures applied (largely quantitative restrictions and special import charges) apparently do not raise the cost of imports significantly. The exclusion of fish from the agreement on agriculture also limited the potential benefits to countries like the Seychelles. Others simply faced no (or few) nontariff restrictions before the negotiations.

The new developments are regarded as positive for developing countries as a group, although some countries may incur losses.

Trade in textiles and clothing has been closely regulated for three decades through MFA quotas. Phasing these restrictions out will subject African countries to aggressive international competition.

Whether they can maintain a viable textile and clothing export sector depends on whether they can achieve reforms aimed at cost-cutting. The MFA liberalization is heavily backloaded, with roughly half the restrictions being removed at the end of 10 years, so there is ample time for adjustment.

Africa should also face more vigorous competition on footwear and ferrous metals when "voluntary" restraints on some other developing countries are lifted. Any losses in market share that may occur, however, may not reflect welfare changes, especially if African exports were heavily subsidized.

Agriculture could also be harmed unless appropriate domestic policies are adopted. The tariffication (and reduction) of NTBs, along with limits on export subsidies, could raise international prices on some staples, which would hurt net food importers. Reforms to ensure that prices paid to domestic producers increase in line with international prices (thus stimulating a local supply response) could limit increases in the food import bill. In the post-Uruguay Round world, it is increasingly important to remove domestic constraints that prevent local producers from taking full advantage of new export opportunities.

"Unfinished business" includes further initiatives needed to address NTBs on fish, chemicals, and energy products, which the Round bypassed. Stricter regulations on safeguards and the use of antidumping duties are also needed to ensure that these measures are not substituted for those eliminated. But much of the unfinished business involves domestic reform needed to ensure that African countries can react to new export opportunities and competitive challenges.

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This paper — a product of the International Trade Division, International Economics Department — is part of a larger effort in the department to identify factors affecting the export earnings of developing countries and to anticipate important changes that may occur. Copies of the paper are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Sarah Lipscomb, room R2-056, extension 33718 (40 pages). March 1995.

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## Summary

Perhaps the major accomplishment of the Uruguay Round relates to agreements reached on nontariff barriers. All NTBs imposed under the Multifiber Arrangement (MFA) will be phased out over a ten year period and all "voluntary" export restraints will also be abolished. OECD countries' nontariff barriers on agricultural goods will be converted to tariffs and then reduced by an average of 36 percent. Agreement was also reached on limiting subsidies and other agricultural export incentives.

As a result of these achievements the profile of OECD nontariff protection facing Africa will change dramatically. Formerly, about 11 percent of all sub-Saharan Africa's exports encountered NTBs - this ratio will fall to about 3 percent. For some African countries the changes will be dramatic. Pre-Uruguay Round NTBs covered more than 60 percent of Mauritius' exports - this ratio will fall to about 2 percent. Formerly, 83 percent of Reunion's exports faced NTBs and this ratio will drop to zero. However, some African countries will be largely unaffected by the Uruguay Round's accomplishments. No NTBs on energy products were liberalized so the coverage ratios for Angola, Congo and Nigeria remain relatively high. However, the measures which are applied (largely QRs and special import charges) generally do not appear to have a major cost raising impact on imports. Exclusion of fish from the agreement on agriculture also limited the potential benefits to countries like the Seychelles. Others simply faced no (or few) nontariff restrictions prior to the negotiations.

While there is a (correct) tendency to regard these developments as being positive from the viewpoint of developing countries as a group, some individual ones may incur losses. Trade in textiles and clothing has been closely regulated over the last three decades through quotas imposed under the Multifiber Arrangement. The phase out of these restrictions will subject African countries' to aggressive international competition. The ability of many African countries to maintain a viable textile and clothing export sector depends on their capacity to implement necessary reforms aimed at achieving cost competitiveness. The fact that the MFA liberalization is so heavily backloaded (roughly one-half of the restrictions will be removed at the end of a ten year period) provides ample time for adjustment. Africa should also face more vigorous competition on products like footwear and ferrous metals where exports from some other developing countries were formerly restrained by "voluntary" restraints which were eliminated. The market share losses which could occur, however, may not be an accurate indication as to the importance of welfare changes - especially if African exports were heavily subsidized.

Some Uruguay Round effects in agriculture could also be adverse unless appropriate domestic policies are adopted. The tariffication (and reduction) of NTBs, along with limits on export subsidies, could raise international prices of some important staples which would have adverse effects on African net food importers. Reforms to ensure that prices paid to domestic producers increase in line with international prices (thereby stimulating a local supply response) could limit increases in the food import bill. The removal of domestic constraints that prevent local producers from taking full advantage of new export opportunities has clearly assumed increased importance in the post-Uruguay Round world.

As far as "unfinished" business is concerned, further initiatives are needed to address NTBs on energy products, fish and chemicals which were bypassed by the Round. Also, stricter regulations on the use of antidumping duties and safeguards are required to ensure that these measures are not substituted for those that were eliminated. However, a very large part of the unfinished business involves reforms in the African countries themselves to ensure they can react to the new export opportunities and competitive challenges resulting from the Uruguay Round.

## **I. Introduction**

Economists are in general agreement that expanded export opportunities can provide an important stimulus to developing countries' industrialization and growth. For example, Helleiner (1972), Keesing (1967) and Meier (1968) draw on economic theory to show how increased exports can accelerate growth through: (i) learning effects from the development of new products, technologies and information sources; (ii) opportunities to achieve scale economies that could not be achieved in many developing countries relatively small domestic markets; (iii) benefits from linkages between export industries and other sectors; (iv) weakening of monopoly elements that may affect foreign trade which, in turn, would result in more favorable import and export prices; or (v) less reliance on (relatively unstable) exports of primary commodities whose price fluctuations may make development planning difficult. Numerous empirical studies (see among others Balassa 1977, 1984, Kravis 1970) document the superior growth and industrialization rates achieved by developing countries that adopted policies allowing them to capitalize on opportunities to expand exports.<sup>1</sup>

In spite of the potentially important positive effects attributed to increased exports, it is sometimes

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<sup>1</sup>Meier (1968, Chapter 7) provides a useful review of arguments advanced in support of outward oriented as opposed to import substitution policies. Key elements of the latter often center on the promotion of infant industries, or efforts to reduce expenditures of limited foreign exchange. See Yeats (1979, Chapter 2) or Little, Scitovsky and Schott (1970) for further assessments of import substitution policies.

argued that trade restrictions in OECD markets may significantly reduce the capacity of developing countries to effectively pursue trade related growth strategies.<sup>2</sup> Given the importance that has been attached to the potential negative impact of developed countries' trade barriers, this study evaluates what the Uruguay Round achieved in the liberalization of these measures and what still remains to be done. Two points concerning this study's orientation should be noted. First, the focus is on Sub-Saharan Africa due to the below average growth and export performance of this region.<sup>3</sup> The analysis attempts to determine whether OECD trade barriers are in any way responsible. Second, the analysis concentrates on the Uruguay Round's accomplishments in liberalizing *nontariff barriers* facing African exports. This focus is the result of studies (Erzan and Svedberg 1991 and Yeats 1994) showing Africa receives important OECD tariff concessions under the Lomé Convention, Generalized System of Preferences, or Least Developed Country Preferences that provide more favorable terms of market access than that for most of their competitors' products.

The study proceeds as follows. First, detailed information on the composition and direction of African exports is examined to identify markets and products that should be given special attention. An attempt is then made to determine which African countries and products were most heavily affected by pre-Uruguay Round nontariff barriers and how this situation changed as a result of the multilateral trade negotiations. The possibility that some elements of the Uruguay Round agreement on NTBs may have negative effects on African countries is also considered. The study closes with an assessment of the

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<sup>2</sup>For example, the Commonwealth Secretariat (1982, p. 61) stated "Protectionist measures (in industrial countries) discriminate against developing countries. For not only has it been on the products in which these countries are primarily interested that most of the new quantitative restrictions have been imposed, but it is also the developing countries (especially the poorer ones) which have suffered most. The most important restrictions, as far as developing countries are concerned, have been on textiles and clothing; exports of this group of products are so significant for these countries, and increasingly so for the poorer and smaller ones, that they regard developments under the umbrella of the MFA as a barometer of developed country attitudes towards protectionism in general. Their experience in this respect has been discouraging.

<sup>3</sup>UNCTAD (1993) reports that world trade grew at an annual rate of 6 percent over the decade 1980-1990, yet the exports of sub-Saharan African countries actually *declined* by 2.1 percent per year over that same interval. Statistics in the UNCTAD report also show that African exports are more concentrated in primary commodities than are exports from most other developing countries.

policies Africa should adopt to avoid these adverse effects.

## **II. The Composition and Direction of African Exports**

Analyses of the direction of trade shows that major short or medium-term changes in the destinations of a country's exports, or the origins of its imports, do not frequently occur (see UNCTAD, 1992 and other years). Finance, commercial, transport and other logistical problems are preventive factors, as are distance to alternative markets or cultural elements like language differences (Safadi, Primo-Braga and Yeats, 1994). This point indicates one should focus on trade barriers in markets that are presently the major destinations of African exports since they will, in all likelihood, continue to be of major importance within the foreseeable future.<sup>4</sup>

Table 1 provides statistics on the value and share of individual African country's exports going to all developed and developing countries as well as selected regional groups of importers. Trade weighted totals for all sub-Saharan Africa are given, see the memo item, along with similar statistics for all developing countries. The latter is provided to show the extent to which Africa's direction of trade differs from that of most developing countries.<sup>5</sup> Caution is warranted regarding these comparisons, however, since it is generally accepted that some intra-African trade is unrecorded.

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<sup>4</sup>For example, North-South liner conference routes are one factor constraining major short-term trade changes. The direction of established shipping routes are such that many developing countries often have direct access to a relatively few OECD markets and that efforts to trade with others often involve costly transshipment through wayports. The transport barriers to increased African intra-trade appear even more imposing. Yeats (1983) found some African countries had to ship goods to some European port, off-load the product, and then re-export it back in order to trade with some other sub-Saharan countries.

<sup>5</sup>Numerous "structure-performance" studies of industrial countries' domestic markets show a common pattern exists. When aggressive inter-firm competition is absent consumers are penalized by having to pay higher (monopoly) prices, while other firm performance measures are lower (poorer) than they are in more competitive markets (See Bain 1951, Bell and Murphy 1969, or Mann 1966 for illustrative examples of this research). Subsequent empirical studies have also shown that these conclusions also apply to international markets. That is, a country is likely to receive a lower price for its exports, and to pay a higher price for its imports, if aggressive competition is absent from its foreign trade sector (See Avramovitch 1978, Edward 1972, Helleiner 1978, or Yeats 1981).

Table 1. The Geographic Destinations of Sub-Saharan African Countries' Exports; 1991 or Latest Year Available.

Exporting Country	World (\$ million)	Developed Countries	Major Geographic Destinations (%)							
			of which:				Eastern Europe	Socialist Asia	Developing Countries	of which: Developing Africa
			Europe	North America	Japan	Others				
Angola	3,105.4	78.1	25.1	52.6	0.1	0.3	0.8	0.1	20.8	1.5
Benin	49.1	74.7	55.8	5.7	13.3	--	0.9	3.4	18.0	18.0
Burundi	78.0	89.1	76.8	11.8	0.5	--	--	--	10.5	8.8
Burkina Faso	160.0	42.2	40.3	0.4	1.6	--	--	--	58.4	40.3
Cameroon	1,246.0	69.4	66.3	2.5	0.6	0.1	1.8	6.5	22.4	14.5
Cape Vert	6.5	92.3	61.5	61.5	1.5	--	--	--	7.7	7.7
Central African Rep.	139.5	94.8	94.1	0.6	--	0.1	--	0.4	4.8	3.6
Chad	132.8	37.2	31.4	0.1	5.7	--	--	--	52.8	54.7
Comoros	18.9	94.7	69.8	24.3	0.1	--	--	--	5.3	1.6
Congo	855.0	97.2	60.9	36.3	--	--	0.1	--	2.5	2.3
Cote d' Ivoire	2,953.0	61.7	53.5	7.1	0.7	0.4	2.6	0.2	29.3	26.8
Djibouti	17.4	65.7	63.0	0.1	0.1	--	--	--	34.2	9.1
Ethiopia	294.2	66.4	40.3	11.2	14.9	0.2	4.8	0.2	26.3	12.7
Equatorial Guinea	25.4	94.1	93.7	--	--	--	--	--	5.5	2.4
Gabon	2,460.5	82.8	47.7	29.7	4.1	1.2	0.4	0.7	15.2	3.6
Gambia	40.0	65.2	37.7	4.5	23.0	--	--	--	33.2	20.0
Ghana	1,198.9	81.6	63.4	12.8	5.4	0.1	4.6	0.2	10.0	3.1
Guinea	420.5	89.0	52.2	36.7	--	--	--	--	11.0	4.7
Guinea Bissau	11.7	76.1	66.7	9.4	--	--	--	--	23.9	0.1
Kenya	1,121.1	56.2	48.6	4.3	1.3	2.0	1.4	--	35.0	21.4
Liberia	379.9	80.0	77.1	1.5	0.9	0.4	1.0	--	19.0	0.2
Madagascar	314.0	88.9	64.4	14.6	9.8	--	1.7	1.1	6.9	3.1
Malawi	454.0	85.1	46.9	16.5	10.0	11.8	--	--	13.6	9.5
Mali	307.9	33.0	28.6	2.6	1.7	--	12.7	11.6	40.6	19.9
Mauritania	451.0	80.1	58.3	2.3	19.5	--	10.7	--	7.5	7.1
Mauritius	1,208.0	84.5	71.9	11.1	0.2	1.3	2.0	--	6.1	3.9
Mozambique	239.8	51.2	31.3	13.0	6.7	--	--	--	48.8	12.0
Niger	240.8	87.4	83.4	3.9	0.1	--	--	0.1	11.1	10.6
Nigeria	12,004.0	95.7	48.6	45.9	0.2	--	0.1	--	4.2	3.1
Reunion	210.2	12.9	7.2	--	4.8	9.1	--	--	87.1	9.8
Rwanda	99.3	82.8	75.7	6.3	0.7	--	--	4.4	6.9	2.3
Sao Tome & Principe	7.5	96.0	96.0	--	--	--	--	--	4.0	--
Senegal	737.7	63.6	60.7	0.4	2.5	--	--	--	28.8	16.5
Seychelles	18.2	72.5	70.4	--	--	--	--	--	27.1	20.3



Table 1. Continued.

Exporting Country	World (\$ million)	Developed Countries	Major Geographic Destinations (%)							
			of which:				Eastern Europe	Socialist Asia	Developing Countries	of which:
			Europe	North America	Japan	Others				Developing Africa
Sierra Leone	145.4	96.5	59.1	36.2	1.3	—	—	—	1.5	1.3
Somalia	81.0	61.1	60.2	0.4	0.5	—	—	0.5	38.4	1.0
South Africa, Rep.	17,052.0	80.4	55.2	12.4	10.8	2.0	0.1	—	15.3	6.1
Sudan	554.0	35.4	26.1	3.2	6.0	—	9.0	1.6	53.8	1.1
Togo	306.4	52.0	38.2	13.0	0.2	0.6	6.5	0.1	41.4	19.2
Uganda	152.1	90.5	76.5	10.6	3.3	0.1	0.4	—	9.1	7.1
Tanzania, United Rep.	404.0	68.7	59.4	4.5	4.5	0.3	1.8	0.8	30.7	7.1
Zaire	853.0	84.5	54.8	22.2	7.4	0.1	1.2	1.2	11.2	5.4
Zambia	1,347.5	65.7	34.5	1.6	29.1	0.4	—	12.3	21.8	11.9
Zimbabwe	1,467.6	73.4	44.1	7.3	5.5	16.6	0.6	1.8	23.9	17.2
<b>MEMO ITEM</b>										
All Sub-Saharan Africa	54,657.2	80.6	51.2	22.1	5.6	1.4	0.9	0.7	15.4	7.5
All Developing Countries	708,947.0	63.1	25.5	24.0	12.0	1.3	3.1	3.6	27.2	2.6

Note: The shares shown in Table 1 may not sum to 100 since some sub-Saharan countries trade has not been fully allocated to proper country destinations. That is, some exports are classified as going to "not elsewhere specified" (n.e.s.) destinations, "not elsewhere classified" (n.e.c.) destinations, or to bunkers and ships stores.

Source: Compiled from United Nations COMTRADE records or United Nations Conference on Trade and Development, Handbook of International Trade and Development Statistics 1992. (New York: United Nations, 1992).

The key point which is evident from Table 1 relates to sub-Saharan Africa's considerably greater than average reliance on developed countries' markets with OECD Europe being particularly important.

On average, about 80 percent of the 44 SSA countries' exports go to developed countries while the proportion for Cape Verde, Central African Republic, the Comoros, Congo, Equatorial Guinea, Nigeria, Sao Tome and Principe, Sierra Leone and Uganda exceeds 90 percent. The difference in African and other developing countries' reliance on the OECD is evident from the summary statistics, i.e., the share of SSA exports going to developed country markets is 18 percentage points higher than that for all developing countries, while the share destined for OECD Europe is approximately twice as high (51.2 versus 25.5 percent). Collectively, sub-Saharan Africa has a relatively low share of its total exports destined for other developing countries (15 percent as opposed to 27 percent for all developing countries intra-trade), while the share going to Japan (under 6 percent) is about one-half the developing country average.

Having established that OECD markets are by far the major destinations for African exports, a second related important question is what are Africa's major traded products? Table 2 provides information on the product composition of each African country's exports as well as aggregate statistics for the region as a whole. Similar statistics are also provided for all developing countries combined. These tabulations show sub-Saharan African exports consist of a much higher share of agricultural materials; minerals and nonferrous metals than exports from all developing countries combined (61 versus 33 percent), and a much lower share of manufactures (19 versus 54 percent).<sup>6</sup> Mauritius, the Republic of South Africa and the Central African Republic are outliers with one-third, or more, of these countries'

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<sup>6</sup>The four largest products, namely, crude petroleum (SITC 331), pearls and precious stones (SITC 667), cocoa (SITC 072) and coffee (071) account for approximately 66 percent of African exports to the OECD. None of these items encounter nontariff measures in the European Union and United States. Japan, however, does apply quantitative restrictions to some refined petroleum products. Also, import duties are zero on these major products except for EU tariffs ranging from 8 to 16 percent on coffee extracts and several other coffee products above the roasted bean stage. It should be recognized that existing trade barriers may affect the product shares reported in Table 2 -- particularly for some highly protected groups such as foodstuffs.

Table 2. The Structure of Sub-Saharan African Countries' Exports; 1990 or Latest Year Available.

		By Main Categories of Export Products (percentage)								
		AGGREGATE SITC GROUPS					Manufactures, of which:			
		All Foods	Agricultural Materials	Fuels	Ores & Metals	Manu- factures	Chemicals	Other Manufactures	Machinery & Transport	
Exporting Country	Value (\$ million)									Unallocated Trade
Angola	1,296.4	16.4	0.3	82.1	-	1.0	-	0.5	0.4	0.2
Benin	49.1	61.8	25.0	4.2	1.1	3.4	0.4	1.9	1.1	4.5
Burundi	75.0	65.7	3.6	-	2.5	2.0	0.1	1.6	0.3	26.1
Burkina Faso	160.3	27.5	42.0	-	0.1	11.0	0.1	8.1	2.8	19.4
Cameroon	1,281.6	35.5	19.0	18.0	11.4	15.2	1.6	8.3	5.2	0.9
Cape Verde	6.5	50.8	3.1	-	26.2	12.3	-	6.2	6.2	7.7
Central African Republic	139.5	17.3	27.6	-	5.2	48.2	0.1	47.6	0.6	1.7
Chad	132.8	44.6	45.9	-	0.3	9.0	0.5	3.5	5.1	0.2
Comoros	12.4	71.0	1.6	-	0.8	26.6	25.0	1.6	-	-
Congo	776.9	1.3	9.0	81.4	1.4	6.6	-	5.7	0.9	0.4
Cote d' Ivoire	2,940.4	49.9	18.3	14.5	0.3	16.8	3.5	11.3	2.1	0.2
Djibouti	24.9	39.1	4.7	-	0.2	7.8	0.2	1.0	6.0	-
Ethiopia	294.2	63.3	25.1	6.2	-	5.3	2.0	3.2	-	0.1
Equatorial Guinea	25.4	57.9	30.0	-	7.5	4.0	-	2.6	0.6	-
Gabon	1,692.8	1.1	10.6	74.2	10.6	3.4	1.7	1.5	0.2	0.2
Gambia	40.6	72.9	0.5	-	0.2	25.9	-	25.1	0.7	0.5
Ghana	1,072.3	41.0	11.1	3.4	21.2	13.4	0.1	13.0	0.3	9.9
Guinea	420.5	3.4	0.3	-	95.0	0.5	-	-	0.2	-
Guinea Bissau	11.7	73.0	2.0	-	7.8	4.9	1.6	1.4	1.6	-
Kenya	1,054.3	58.5	7.7	14.2	1.4	17.3	3.1	12.6	1.7	0.9
Liberia	404.4	8.8	29.1	0.1	59.7	1.0	0.1	0.4	0.5	1.4
Madagascar	321.9	69.7	4.5	1.0	9.4	15.2	1.5	12.7	1.0	0.2
Malawi	417.6	90.5	3.2	-	0.1	4.8	-	4.6	0.2	1.4
Mali	270.7	22.6	65.8	0.1	0.1	6.8	0.1	4.4	2.2	4.6
Mauritania	447.1	47.3	0.4	1.9	48.6	0.5	-	0.2	0.3	1.1
Mauritius	1,180.5	31.1	0.5	-	0.1	68.1	0.3	65.1	2.7	0.2
Mozambique	101.1	65.7	4.0	0.1	12.1	17.5	0.4	15.5	1.6	0.7
Niger	579.7	11.4	0.6	1.1	84.7	2.0	-	1.5	0.5	0.1
Nigeria	13,649.3	1.8	1.5	93.6	0.7	2.1	0.3	1.6	0.2	0.3
Reunion	185.6	82.4	0.5	0.2	0.4	16.6	2.5	5.8	8.3	-
Rwanda	97.6	69.2	9.1	-	2.4	4.7	2.8	1.7	0.2	14.7
Sao Tome & Principe	7.4	91.2	2.2	-	0.2	6.3	1.7	1.6	1.6	-
Senegal	782.6	53.2	2.7	12.4	9.3	22.5	14.9	5.2	2.4	-
Seychelles	34.2	37.1	0.3	55.6	-	7.0	-	2.0	5.0	-

Table 2. Continued.

		By Main Categories of Export Products (percentage)								
		AGGREGATE SITC GROUPS					Manufactures, of which:			
		All Foods	Agricultural Materials	Fuels	Ores & Metals	Manu- factures	Chemicals	Other Manufactures	Machinery & Transport	
Exporting Country	Value (\$ million)									Unallocated Trade
Sierra Leone	142.8	24.6	3.9	3.5	40.9	26.1	—	26.0	0.1	1.0
Somalia	81.0	90.4	6.8	0.2	1.1	1.1	—	0.5	0.6	0.4
South Africa, Republic of	18,968.8	13.6	9.2	13.9	26.4	34.4	6.5	24.3	3.6	2.5
Sudan	573.0	38.6	59.5	—	0.3	1.0	—	0.3	0.7	0.5
Togo	267.9	23.0	21.5	—	44.7	9.1	0.4	8.0	0.7	1.8
Uganda	152.1	88.9	10.0	—	0.1	1.1	0.1	0.3	0.6	—
Tanzania, United Republic	284.9	49.2	22.4	1.5	14.5	11.8	0.9	8.4	2.5	0.5
Zaire	999.3	8.7	4.5	12.7	55.2	16.6	0.1	15.7	0.8	2.3
Zambia	1,347.5	3.9	1.4	0.1	83.4	11.2	0.1	10.8	0.3	0.1
Zimbabwe	1,467.6	44.1	7.3	0.7	15.9	30.9	1.7	25.6	3.6	1.1
<b>MEMO ITEM</b>										
All Sub-Saharan Africa	53,688.4	18.5	8.3	36.3	16.6	18.8	3.0	13.8	2.0	1.5
All Developing Countries	708,947.0	11.4	3.3	26.0	4.2	53.9	3.8	29.9	17.4	1.2

Source: Data Compiled from United Nations COMTRADE records and UNCTAD, *Handbook of International Trade and Development Statistics, 1992*. In some cases the total trade values reported in this table may differ from those shown in Table 1. Where this occurs data on the direction of trade had to be taken from a different year than the above statistics on the composition of trade.

Note: In terms of the SITC (Revision 1) classification the products groups shown in this table are defined as follows: All foods and Feeds (SITC 0+1+22+4); Agricultural Raw Materials (SITC 2-22-27-28); Fuels (SITC 3); Ores, Minerals and Metals (SITC 27+28+68); Manufactures (SITC 5+6+7+8-68); Chemicals (SITC 5); Other Manufactures (SITC 6-68); Machinery and Transport (SITC 7).

total exports consisting of manufactured goods.<sup>7</sup> This point is important since materials which normally serve as production inputs (i.e., the types of goods African countries export) typically face low or zero tariffs and relatively few NTBs. OECD trade barriers generally are applied with a higher than average frequency to temperate zone agricultural products and labor intensive manufactures, and are normally more restrictive than average on these goods (see UNCTAD 1993, Laird and Yeats 1990, or Yeats 1979).

### III. Pre-Uruguay Round NTBs Facing Africa

Given that the OECD is of disproportionate (high) importance for Africa, what does available show as to the nature and extent of developed countries nontariff barriers? Utilizing World Bank-UNCTAD records, Table 3 shows the share of OECD imports from: (i) other OECD countries, (ii) developing countries, and (iii) all sub-Saharan African countries that encounter NTBs.<sup>8</sup> The latter tabulations are given both with the Republic of South Africa included and excluded due to the relatively high share of manufactures in the latter's exports and the fact that South Africa was subject to sanctions as a result of its apartheid policies. As indicated, developed countries' nontariff measures affect a notably higher share of imports from non-OECD countries than they do for intra-trade. Approximately 17 percent of developing countries' exports (excluding petroleum) encounter NTBs, while the

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<sup>7</sup>Standard practice defines manufactures as all items in SITC 5 through 8 less SITC 68 (nonferrous metals). Included within this range is the three-digit group "pearls and precious stones (SITC 667). The SITC system does not distinguish between cut and polished gems (which should be considered a manufacture) and uncut gems (which should not). The Central African Republic's exports are probably composed mostly of uncut stones which, due to the deficiency in the SITC system, are included in the manufactures product group. In other words, if uncut stones could be identified separately the share of manufactures in the Central African Republic's exports probably would be far lower than shown in Table 2.

<sup>8</sup>Laird and Yeats (1990, Chapter 4) describe how this inventory of nontariff measures was constructed and discuss its limitations for research and policy studies. In particular, they note that trade coverage ratios are a rough approximation of the importance of NTBs in that they provide no indication of the restrictiveness of the measures. Low coverage ratios, for example, could be associated with highly restrictive NTBs and vice-versa. The Laird and Yeats book also provides extensive empirical information on the results of NTB inventory studies for industrial countries. UNCTAD (1993, p. 37) tabulates the annual share of developing countries' exports that encountered nontariff measures over the last decade -- it rose from 16.2 percent in 1981 to 18.3 percent in 1991.

**Table 3. 1992 Nontariff Measure Coverage Ratios for OECD Imports from Developed, Developing and Sub-Saharan African Countries**

Product Group (SITC)	1992 Imports (\$million)				Nontariff Barrier Coverage Ratios			
	Developed Countries	Developing Countries	Sub-Saharan Africa	SSA excluding South Africa	Developed Countries	Developing Countries	Sub-Saharan Africa	SSA excluding South Africa
ALL NON-FUEL ITEMS (0 TO 9-3)	1,900,481	540,783	25,137	15,647	9.7	16.6	10.8	10.4
All Foods (0+1+22+4)	190,602	79,053	8,022	6,223	24.6	17.1	23.4	18.6
Food and Live Animals (0)	152,772	69,241	7,044	5,327	28.1	18.2	24.5	19.5
Oil Seeds and Nuts (22)	5,849	2,509	72	59	1.3	3.6	6.3	2.2
Animal & Vegetable Oils (4)	5,046	2,841	171	169	5.7	5.7	0.1	0.1
Agricultural Materials (2-22-27-28)	53,386	20,303	2,719	2,109	1.3	1.3	0.3	0.2
Ores and Metals (27+28+67+68)	116,438	42,227	7,521	2,810	13.6	10.1	5.7	2.6
Ferrous Metals (67)	55,326	11,294	1,097	171	38.2	35.9	38.6	44.4
Non-Ferrous Metals (68)	37,753	15,192	3,677	1,465	0.0	0.0	0.0	0.0
Mineral Fuels (3)	86,298	164,851	19,654	18,012	21.5	16.4	17.4	16.8
All Manufactures (5 to 8 - 68)	1,499,800	383,871	6,524	6,369	8.5	18.8	5.6	6.5
Chemicals (5)	216,755	22,039	769	320	6.0	3.9	0.2	0.0
Other Manufactures (6 to 8-67-68)	1,283,045	361,832	5,755	3,953	8.8	19.9	6.4	9.7
Leather (61)	5,004	3,749	237	134	3.0	1.2	0.0	0.0
Textile Yarn & Fabric (65)	49,545	19,485	275	173	4.4	52.5	18.7	34.1
Clothing (84)	43,250	79,659	1,019	845	3.4	62.5	44.8	47.5
Footwear , 5)	12,142	15,864	17	7	12.2	32.0	1.3	2.6
ALL ITEMS (0 to 9)	1,986,779	705,634	44,791	33,659	10.2	16.6	13.1	13.1

Note: The following measures were included in the computation of the nontariff barrier coverage ratio: tariff quotas; increased duties, safeguard duties, retaliatory duties and customs surcharges; variable levies and flexible import fees; non-automatic licensing and discretionary licensing; quotas and prohibitions; voluntary export restraints, MFA quotas and other restraints including textile restraint agreements, orderly marketing arrangements; other quantitative restrictions; other restrictions imposed under the Multifiber Arrangement; minimum, reference or other import price controls; voluntary export price restraints; state monopoly of imports; and local content regulations.

Source: World Bank-UNCTAD SMART Data Base. The statistics in this and the tables that follow reflect nontariff barriers which are applied in all OECD markets with the exception of Iceland and Turkey. Developed countries are defined as all OECD members less Turkey while developing countries are all countries less the OECD plus Turkey. The countries included in the sub-Saharan group are listed in Table 4.

corresponding share for OECD intra-trade is under 10 percent. An even greater difference in NTB coverage ratios exists for several product groups. Approximately 53 percent of developing countries' textile exports face restrictions while the coverage ratio for clothing is about 63 percent. In contrast, under 5 percent of OECD intra-trade in textiles and clothing encounters NTBs. The Multifiber Arrangement, special textile quotas, bilateral quotas, and voluntary export restraints account for these major differences. Nontariff barrier coverage ratios for developing countries' footwear exports are about 20 points higher than on OECD intra-trade of these goods. "Voluntary" export restraints imposed by the EU and EFTA largely account for these differentials.<sup>9</sup>

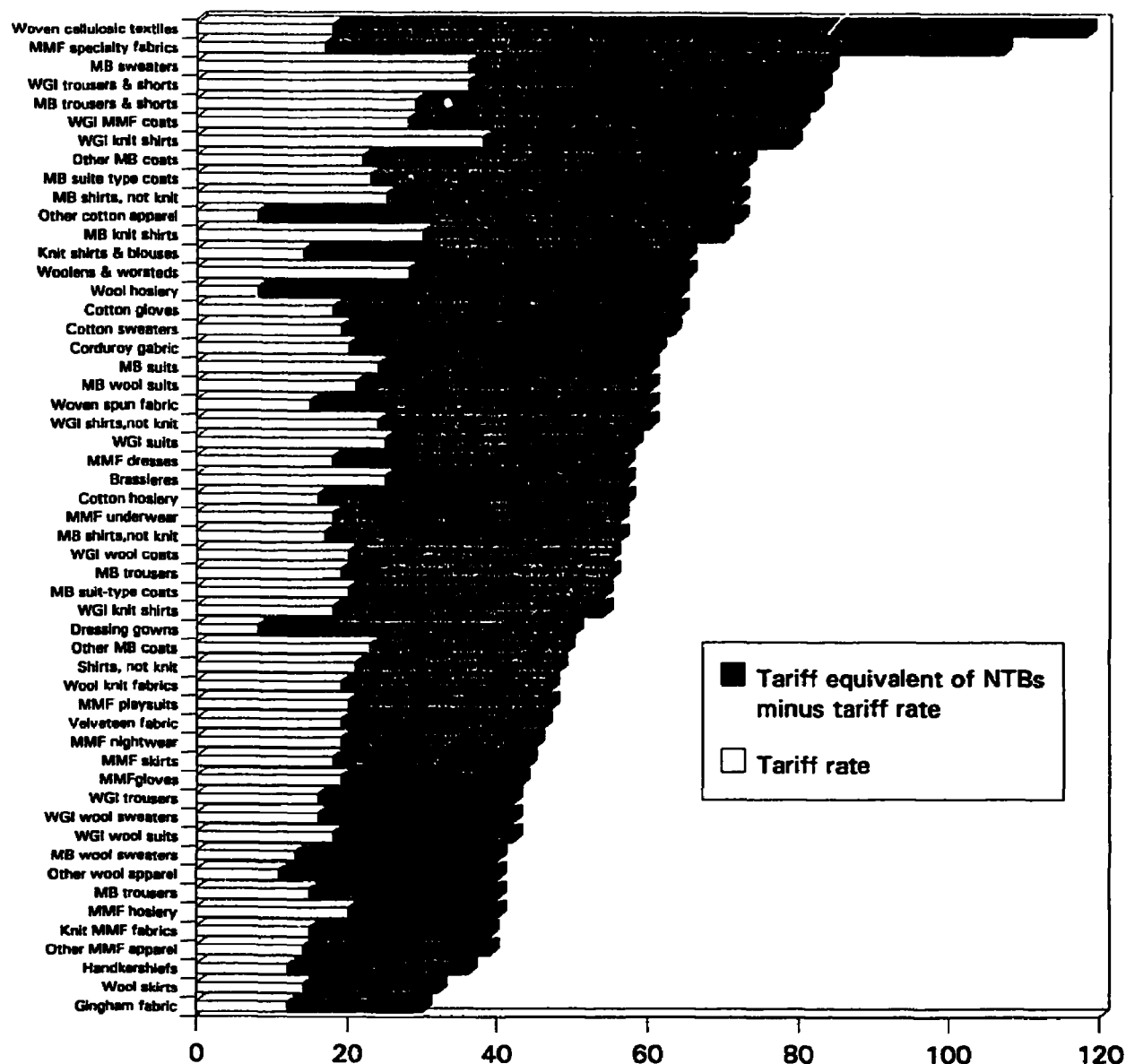
Table 3 shows OECD coverage ratios are not always higher for African and other developing countries' exports. Twenty five percent of OECD intra-trade in foods encounter NTBs compared to the 17 percent coverage ratio for shipments of these goods from developing countries.<sup>10</sup> The difference is due to the fact that tropical food products like tea, coffee, and cocoa – which account for approximately 15 percent of all developing countries' food exports – face relatively few OECD nontariff barriers. Most NTBs are applied to temperate zone products (particularly grains and dairy products) which are mainly exported by other OECD and some developing countries, like Argentina, outside the tropics. Sugar, which is produced in temperate zone countries (from beets) as well as in the tropics (from cane) is an exception. Some specific African oilseeds and vegetable oils which can be

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<sup>9</sup>There is ample evidence showing that textile and footwear restrictions have major trade distorting effects on the exports of developing countries who face the measures. For example, Figure 1 shows US International Trade Commission estimates of tariff plus NTB protection for 54 broad classes of textile and clothing products. The estimates range to over 100 percent with the nontariff barrier component of total protection generally being far higher than that of tariffs. It is generally held that levels of nontariff protection against textiles and clothing in Europe are of a similar magnitude to that of the United States,

<sup>10</sup>Estimates of the restrictive effects of these NTBs show the barriers are formidable. The USITC (1989) estimated that the ad valorem equivalents of existing US NTBs on 54 broad categories of textile and clothing products ranged between 15 to over 100 percent. Laird and Yeats (1990) found that estimates for nominal equivalents of NTBs on grains, sugar, dairy, vegetable oils, poultry, pork, oilseeds and nuts imported into the EU and Japan ranged from 50 to 300 percent and more. See Saxon and Anderson (1982) and OECD (1987) for additional estimates of agricultural NTBs ad valorem equivalents.

**Figure 1: The Estimated Total Effect of Tariff and Nontariff Protection for Textiles and Clothing in the United States**



Note: MMF means manmade fiber; WGI means women's, girls', and infants'; MB means men's and boys'.

Source: USITC 1989.



substitutes for OECD temperate zone products encounter NTBs in the form of European variable import levies.

Table 3 indicates the profile of nontariff protection against sub-Saharan African exports differs in some ways from that of other developing countries. First, only about 11 percent of African non-fuel exports face NTBs as opposed to the 17 percent average for all developing countries. The lower NTB ratio is largely accounted for by the fact that most African countries' textile and clothing products are not affected by MFA restrictions, and the fact that African exports of footwear are relatively small. Mauritius is a noteworthy exception with \$116 million, or 88 percent of its textile and clothing exports to the United States, covered by textile quotas. Only 19 percent of African textile exports face NTBs, as opposed to 53 percent for all developing countries combined, while the African coverage ratio for clothing is about 18 points below the 63 percent developing country average. This pattern is reversed, however, for several food and feed product groups where African countries encounter a higher incidence of NTBs than all developing countries.<sup>11</sup>

Analysis of the patterns of NTB protection in individual OECD markets indicates that EU trade barriers are directed against African and other developing countries' exports with an above average frequency. While Table 4 shows that only 2 to 3 percent of sub-Saharan African exports to EFTA, Japan and the United States encounter nontariff measures the coverage ratio for the European Union is about *ten times higher* (21.2 percent). In contrast, less than 9 percent of EU imports from the OECD face nontariff measures. Six African countries have more than one-quarter of their total exports to the European Union covered by NTBs, with the coverage ratios for Reunion and the Seychelles ranging from 88 to 96 percent. Sugar's importance in Reunion's and several other African countries' exports (sugar

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<sup>11</sup>If coffee were excluded from the tabulations the African food trade coverage ratios would be considerably lower than those for developed and all developing countries. Coffee exports are subject to quantitative controls (voluntary export restraints) imposed under the International Coffee Agreement. Special taxes are also applied to coffee imports in several European markets.

Table 4. The Share of African Exports Covered by Nontariff Measures: All OECD Countries and Major Industrial Markets.

Exporter	1992 Value of Exports (\$million)					Share of Exports Covered by NTBs				
	All OECD	EFTA	EU	Japan	USA	All OECD	EFTA	EU	Japan	USA
Angola	3,684	1	1,132	5	2,436	4.7	2.2	14.7	0.0	0.0
Benin	76	1	60	2	10	1.3	7.5	1.5	0.0	0.0
Burkina Faso	53	--	41	5	--	12.3	32.8	13.1	0.0	20.8
Burundi	74	6	22	2	9	0.1	0.4	0.0	0.0	0.0
Cameroon	1,577	8	1,360	13	90	20.8	0.1	26.8	0.0	0.0
Cape Verde	7	--	6	1	--	39.5	0.0	60.8	0.0	0.0
Central African Rep.	102	--	99	--	1	0.1	0.0	0.1	0.0	0.0
Chad	66	1	42	5	--	0.1	0.1	0.1	0.0	0.0
Comoros	28	--	13	--	11	0.6	1.1	0.3	16.2	0.0
Congo	1,440	13	851	2	547	38.5	19.7	4	0.0	0.0
Cote D'Ivoire	2,258	49	1,623	16	206	14.1	2.4	16.1	0.0	3.6
Djibouti	4	1	3	--	--	5.2	46.2	3.2	0.0	0.0
Equatorial Guinea	39	--	37	--	--	0.1	0.0	0.1	20.0	0.0
Ethiopia	160	6	67	44	9	1.8	1.3	3.3	0.0	0.0
Gabon	2,119	31	956	89	984	15.8	0.1	22.6	0.0	0.0
Gambia	183	1	145	36	1	0.5	1.6	0.9	0.0	0.0
Ghana	886	42	442	65	102	0.4	3.7	0.4	0.0	0.0
Guinea	526	29	329	1	125	0.3	4.2	0.4	0.0	0.0
Guinea Bissau	8	--	7	--	--	1.6	0.0	1.7	0.0	0.0
Kenya	837	58	510	22	78	3.5	4.3	3.8	7.6	0.0
Liberia	804	90	642	43	13	0.0	0.0	0.0	0.0	0.0
Madagascar	340	20	188	32	56	7.6	1.1	9.6	0.0	7.9
Malawi	393	20	130	68	64	29.6	13.5	18.2	99.5	13.4
Mali	117	1	95	5	2	0.4	2.4	0.5	0.0	0.0
Mauritania	413	--	241	151	10	1.3	1.6	2.3	0.1	0.0
Mauritius	1,279	23	950	4	147	61.6	43.0	59.9	2.0	79.9
Mozambique	147	4	94	16	21	10.3	5.7	9.1	0.0	31.7
Niger	184	1	172	--	3	0.2	7.2	0.2	0.0	0.2
Nigeria	11,379	510	3,720	2	5,299	14.4	0.1	38.2	0.0	0.1
Reunion	154	--	151	1	--	83.0	8.5	88.8	1.4	0.0
Rwanda	64	--	32	--	5	1.1	0.4	1.2	0.0	0.0
Sao Tome & Principe	5	--	3	--	--	17.2	0.0	18.4	0.0	0.0
Senegal	362	6	317	11	11	19.1	29.4	20.0	0.1	0.4
Seychelles	37	--	34	--	1	91.4	7.1	95.5	0.0	0.0

Table 4. Continued.

Exporter	1992 Value of Exports (\$million)					Share of Exports Covered by NTBs				
	All OECD	EFTA	EU	Japan	USA	All OECD	EFTA	EU	Japan	USA
Sierra Leone	354	3	256	3	65	0.1	7.6	0.1	0.0	0.0
Somalia	19	1	14	—	2	9.0	0.0	9.6	0.0	0.0
South Africa	11,132	525	4,892	1,781	1,878	13.0	5.2	14.9	21.1	0.0
Sudan	149	5	74	29	11	12.4	0.1	17.4	0.0	0.0
Tanzania	266	8	158	33	12	3.8	1.2	5.4	0.1	0.0
Togo	121	8	65	1	7	0.5	0.7	0.5	2.2	0.0
Uganda	162	4	120	4	14	0.0	0.7	0.0	0.0	0.0
Zaire	1,277	17	801	83	259	0.0	0.4	0.0	0.0	0.0
Zambia	630	8	279	249	71	0.7	12.1	0.7	0.0	0.0
Zimbabwe	875	54	418	120	114	20.3	6.5	28.5	4.4	8.5
TOTAL SSA	44,791	1,556	21,592	2,945	12,675	13.1	3.4	19.7	13.2	1.6
SSA excl. S.Africa	33,659	1,031	16,700	1,164	10,798	13.1	2.5	21.2	3.2	1.9
Developed Countries	1,986,779	186,789	908,622	110,548	317,996	10.2	6.6	8.8	16.5	15.4
Developing Countries	705,634	29,551	204,374	120,426	233,595	16.6	15.1	24.9	4.2	15.4

Note: See the noted to Table 3 for country definitions and a listing of measures that have been included in the computation of the NTB coverage ratios.

Source: Trade statistics from UN COMTRADE records. NTB information from the World Bank-UNCTAD SMART Database.

faces variable levies in Europe) accounts for the high ratios while the results for the Seychelles are largely due to EU reference prices for imports of tuna and skipjack.

In the United States the pattern of nontariff protection is the reverse of that for the European Union. Here, less than 2 percent of all African exports face nontariff restrictions, while the NTB coverage ratio for US imports from developed countries is 15 percent. Almost 21 percent of Burkina Faso's exports to the US encounter NTBs -- mostly due to global quotas on imports of feathers totalling \$77,000 -- while Mozambique's ratio is 32 percent due to US tariff quotas and variable levies on sugar.

Aside from the Republic of South Africa, nontariff barriers in Japan do not appear to pose much of a problem for Africa. Malawi is an exception as almost all of its exports (which consist solely of tobacco) are required to pass through a regulatory state import agency. Between 16 to 20 percent of Equatorial Guinea and the Comoros imports face Japanese NTBs -- the former's exports (parts of tropical plants) are also required to pass through a state agency while the Comoros exports of whalebone is subject to a global quota. For most other African countries, however, the Japanese NTB coverage ratios are zero, or very low.

Table 5 provides one further perspective on OECD protection facing African exports by showing NTB trade coverage ratios for major product groups, both in total and for individual countries. These tabulations indicate NTBs on most African countries' food exports are far more important than those on manufactures (i.e., the coverage ratio for food is 23 percent versus 5.7 percent for manufactures). For some countries the food coverage ratios exceed 80 percent (Djibouti, Mauritius and Reunion) and reach 94 percent for the Seychelles. The importance of this point is highlighted by the fact that numerous studies have estimated that European Union and Japanese NTBs on many food products have ad valorem equivalents of 50 to 200 percent or more (see Laird and Yeats 1991 for a survey of these studies' findings).

In contrast to foods and feeds, only about three-tenths of one percent of African agricultural raw

Table 5. The NTB Coverage of Major Product Categories of African Exports to OECD Markets.

Exporter	1992 Value of OECD Imports(US\$ millions)					Share of OECD Imports Covered by Nontariff Measures				
	All Goods	Foods & Feeds	Agricultural Materials	Ores & Non-Ferrous Metals	Manufactures	All Goods	Foods & Feeds	Agricultural Materials	Ores, & Non-Ferrous Metals	Manufactures
Angola	3,684	17	1	2	192	4.7	4.9	0.0	0.0	0.0
Benin	76	22	32	—	12	1.3	3.5	0.0	0.0	1.5
Burkina Faso	53	13	35	n.a.	4	12.3	51.1	0.2	6.5	0.5
Burundi	74	65	3	4	2	0.1	0.1	0.0	7.6	0.1
Cameroon	1,577	335	346	84	44	20.8	5.0	0.0	0.3	17.2
Cape Verde	7	6	0.1	—	1	39.5	67.9	0.0	0.0	7.9
Central African Rep.	102	5	19	—	78	0.1	0.0	0.0	4.4	0.1
Chad	66	1	64	—	1	0.1	1.5	0.0	0.0	0.0
Comoros	28	20	—	—	8	0.6	0.0	28.8	0.0	0.6
Congo	1,440	11	122	6	365	38.5	58.5	1.2	0.0	0.1
Cote D'Ivoire	2,258	1,587	364	3	266	14.1	17.9	0.2	0.0	16.7
Djibouti	4	—	1	—	2	5.2	87.0	0.0	5.7	3.1
Equatorial Guinea	39	6	29	2	2	0.1	0.2	0.0	0.0	0.1
Ethiopia	160	92	27	—	40	1.8	1.1	0.0	0.0	7.4
Gabon	2,119	16	189	180	70	15.8	0.6	0.0	0.0	2.8
Gambia	183	49	1	—	133	0.5	0.8	0.0	0.0	0.0
Ghana	886	386	130	266	88	0.4	0.5	0.0	0.0	0.1
Guinea	526	18	5	370	132	0.3	6.2	0.0	0.0	0.0
Guinea Bissau	8	4	2	—	1	1.6	2.3	0.0	2.7	1.8
Kenya	837	591	107	11	111	3.5	4.2	1.7	0.0	0.2
Liberia	804	2	90	41	546	0.0	0.2	0.0	0.0	0.0
Madagascar	340	251	13	25	50	7.6	6.3	0.0	0.0	24.2
Malawi	393	363	10	—	18	29.6	28.0	0.0	28.3	59.3
Mali	117	4	52	—	61	0.4	3.4	0.1	3.8	0.1
Mauritania	413	206	1	201	3	1.3	0.6	0.0	0.0	2.4
Mauritius	1,279	408	6	1	860	61.6	86.5	5.4	0.0	47.2
Mozambique	147	108	21	4	13	10.3	13.2	0.0	0.0	4.4
Niger	184	1	2	1	179	0.2	10.4	1.4	10.3	0.0
Nigeria	11,379	200	111	17	155	14.4	0.3	0.0	13.7	2.1
Reunion	154	147	1	1	6	83.0	89.5	0.0	0.0	2.0
Rwanda	64	50	8	3	2	1.1	1.1	0.0	0.0	2.1
Sao Tome & Principe	5	4	—	—	1	17.2	18.1	0.0	0.0	0.0
Senegal	362	291	17	25	21	19.1	24.6	0.0	0.0	2.8
Seychelles	37	34	—	—	2	91.4	94.3	0.0	8.0	0.6

Table 5. Continued.

	1992 Value of OECD Imports(US\$ millions)					Share of OECD Imports Covered by Nontariff Measures				
Exporter	All Goods	Foods & Feeds	Agricultural Materials	Ores & Non-Ferrous Metals	Manufactures	All Goods	Foods & Feeds	Agricultural Materials	Ores, & Non-Ferrous Metals	Manufactures
Sierra Leone	354	47	1	86	220	0.1	0.3	5.5	0.0	0.0
Somalia	19	16	2	0.1	1	9.0	11.6	0.0	43.1	0.0
South Africa	11,132	1,799	609	4,711	2,251	13.0	57.1	0.6	8.4	0.4
Sudan	149	39	102	1	6	12.4	31.9	0.0	0.0	0.0
Tanzania	266	153	36	34	40	3.8	5.8	0.0	0.0	5.3
Togo	121	31	14	64	7	0.5	1.6	0.1	0.0	0.2
Uganda	162	143	16	0.3	3	0.0	0.0	0.0	0.0	0.0
Zaire	1,277	80	64	472	395	0.0	0.0	0.0	0.0	0.1
Zambia	630	16	6	579	28	0.7	29.8	0.0	0.0	0.6
Zimbabwe	875	386	61	324	102	20.3	30.3	0.1	19.4	8.0
SSA	44,791	8,022	2,719	7,521	6,524	13.1	23.4	0.3	5.7	5.6
SSA excl S.Africa	33,412	7,822	2,608	7,503	6,369	13.1	18.6	0.2	2.6	6.5
Developing Countries	705,634	79,053	20,303	42,227	383,871	16.6	17.1	1.3	10.1	18.8
Developed Countries	1,986,779	190,602	53,386	116,438	1,499,800	10.2	24.6	1.3	13.6	8.5

Source: Trade data from United Nations COMTRADE files. Nontariff barrier information from World Bank-UNCTAD SMART Data Base. See the notes to Table 2 for the components of the product groups shown in this table defined in terms of the SITC (revision 1) classification system. The notes to Table 3 indicate which nontariff measures have been employed for the computation of the trade coverage ratios.

material exports encounter NTBs, while the ratio for the ores, minerals and metals group is under 6 percent -- about the same for manufactures. Mauritius and Malawi's coverage ratios for manufactures are exceptions, being 8 or more times the SSA average. As previously noted, US textile quotas are a factor responsible for the Mauritius' results -- see Figure 1 for estimated ad valorem equivalents of these MFA restrictions. Import certification regulations are applied to ivory and reptile skin products exported from Malawi. Between 17 to 24 percent of Cameroon, Cote d'Ivoire and Madagascar's manufactures exports encounter NTBs, but aside from these countries the coverage ratios are low. In fact, manufactures exports from 11 of the 44 countries encounter no NTBs, and 56 percent (25 out of 44) of the African countries have less than one percent of their manufactured exports facing nontariff measures.

Table 6 addresses the question of what types of nontariff measures do SSA exports most frequently encounter. Shown here are total 1992 OECD imports (both including and excluding fuels) from individual African countries and summary statistics showing African group totals. The table also indicates the share of this exchange that face six categories of nontariff measures: (i) all NTBs; (ii) price raising measures; (iii) quotas and prohibitions; (iv) "voluntary" export restraints; (v) non-automatic licensing requirements; and (vi) other restrictions. The notes to Table 6 indicate the specific types of measures included in each nontariff barrier group.

Overall, quantitative restrictions are the most important type of barriers facing African exports, although the relative importance of these measures changes when fuels are excluded from the tabulations (Box 1 summarizes the nontariff barriers which are applied to fuel imports in major OECD markets). QRs affect approximately 8 percent of African exports followed by price raising restrictions that cover 4 percent of total trade.<sup>12</sup> When energy products are excluded, however, the importance of price raising

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<sup>12</sup>In some cases, the sum of the coverage ratios for the six different types of measures may exceed the total shown for all NTBs. This is due to the multiple application or "stacking" of more than one type of nontariff barrier on a single product. For example, the United States applies flexible import charges (variable levies) to sugar imports and also subjects this trade to a tariff quota.

Table 6. The Relative Importance of Different Types of OECD Nontariff Measures Facing African Exports.

					Share of OECD Imports Facing Nontariff Measures									
	1992 OECD Imports (\$million)		All Nontariff Measures		Price Raising Measures		Quotas and Prohibitions		VERs		Non-Automatic Licensing		Other Measures	
Exporter	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel
Angola	3,684	219	4.7	1.2	0.0	0.0	4.7	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Benin	76	66	1.3	1.5	0.9	1.1	0.3	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Burkina Faso	53	53	12.3	12.3	0.4	0.4	12.2	12.2	0.0	0.0	0.0	0.0	0.1	0.1
Burundi	74	74	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cameroon	1,577	814	20.8	3.7	0.0	0.1	20.8	3.7	0.0	0.0	0.0	0.0	0.0	0.0
Cape Verde	7	7	39.5	39.5	15.1	15.2	24.4	24.5	0.0	0.0	0.0	0.0	0.0	0.0
Central African Rep.	102	102	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	66	66	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comoros	28	28	0.6	0.6	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Congo	1,440	508	38.5	3.8	1.4	3.1	37.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Cote D'Ivoire	2,258	2,223	14.1	14.4	2.6	2.7	11.4	11.7	0.0	0.0	0.0	0.0	0.0	0.0
Djibouti	4	3	5.2	5.2	2.8	2.8	2.4	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Equatorial Guinea	39	39	0.1	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Ethiopia	160	160	1.8	1.8	0.3	0.3	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Gabon	2,119	458	15.8	1.5	0.0	0.0	15.8	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Gambia	183	183	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ghana	886	872	0.4	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guinea	526	526	0.3	0.3	0.1	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Guinea Bissau	8	8	1.6	1.6	0.2	0.2	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Kenya	837	833	3.5	3.5	1.3	1.3	2.2	2.2	0.0	0.0	0.0	0.0	0.1	0.1
Liberia	804	720	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Madagascar	340	340	7.6	7.6	4.7	4.7	2.9	2.9	0.0	0.0	0.0	0.0	0.0	0.0
Malawi	393	393	29.6	29.6	9.0	9.0	20.6	20.6	0.0	0.0	0.0	0.0	0.0	0.0
Mali	117	117	0.4	0.4	0.1	0.1	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Mauritania	413	413	1.3	0.3	0.2	0.3	1.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Mauritius	1,279	1,279	61.6	61.7	32.5	32.5	16.6	16.6	13.1	13.1	0.0	0.0	0.1	0.1
Mozambique	147	147	10.3	10.3	9.1	9.1	1.2	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Niger	184	184	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Nigeria	11,379	497	14.4	1.0	0.0	0.4	14.3	0.0	0.0	0.5	0.0	0.0	0.0	0.0
Reunion	154	154	83.0	83.0	81.2	81.2	1.8	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Rwanda	64	64	1.1	1.1	0.0	0.0	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Sao Tome & Principe	5	5	17.2	17.5	17.2	17.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Senegal	362	357	19.1	19.1	5.8	5.8	13.3	13.3	0.0	0.0	0.0	0.0	0.0	0.0
Seychelles	37	37	91.4	91.4	83.0	83.0	8.3	8.3	0.0	0.0	0.0	0.0	0.0	0.0



Table 6. Continued

					Share of OECD Imports Facing Nontariff Measures									
Exporter	1992 OECD Imports (\$million)		All Nontariff Measures		Price Raising Measures		Quotas and Prohibitions		VERs		Non-Automatic Licensing		Other Measures	
	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel	Total	Non-Fuel
Sierra Leone	354	354	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Somalia	19	19	9.0	9.0	4.1	4.1	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0
South Africa	11,132	9,490	13.0	11.5	9.4	10.6	3.9	1.3	0.0	0.0	0.0	0.0	0.2	0.2
Sudan	149	149	12.4	12.4	12.3	12.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tanzania	266	266	3.8	4.1	3.1	3.4	0.7	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Togo	121	118	0.5	0.5	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Uganda	162	162	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Zaire	1,277	1,126	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Zambia	630	630	0.7	0.7	0.3	0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Zimbabwe	875	875	20.3	20.5	18.7	18.9	2.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0
SSA	44,791	25,137	13.1	10.8	4.9	7.5	8.0	3.0	0.3	0.5	0.0	0.0	0.1	0.1
SSA excl S.Africa	33,659	15,647	13.1	10.4	3.5	6.0	9.3	3.8	0.4	0.7	0.0	0.0	0.0	0.0
Developing Countries	705,634	540,783	16.6	16.6	3.3	3.6	4.8	2.0	9.6	12.5	0.0	0.0	0.1	0.1
Developed Countries	1,986,779	1,900,481	10.2	9.7	2.6	2.4	2.9	2.3	5.0	5.2	0.0	0.0	0.3	0.3

Note: For a listing of all measures that were classified as nontariff barriers see the notes to Table 3. The classification used for the different types of nontariff barriers is as follows:

- (i). Price raising measures include tariff quotas, increased duties, safeguard duties, retaliatory duties, customs surcharges, variable levies and flexible import fees, import price controls including reference and minimum import prices, and "voluntary" export price restraints.
- (ii) Quotas and prohibitions include non-automatic and discretionary licensing requirements, bilateral and global quotas, seasonal quotas, and state monopoly of imports.
- (iii). "Voluntary" export restraints include orderly marketing arrangements, all restrictions relating to the Multifiber Arrangement, other textile export restraint agreements and quotas.
- (iv). Nonautomatic licensing includes import permit requirements, imports restricted to select purchasers, permit dependant on the purchase of local goods, and other discretionary licensing schemes.
- (v). Other entry formalities include prohibitions for noncommercial purposes, miscellaneous regulations including import certification requirements, and local content import requirements.

Source: Trade statistics from United Nations COMTRADE records. Nontariff barrier information from the UNCTAD-World Bank SMART Data Base.

### Box 1: Nontariff Barriers Applied to OECD Energy Imports.

The previous analysis documented two points relating to OECD nontariff barriers on energy imports. First, the NTB coverage ratios for these products (17.4 percent -- see Table 3) is approximately 7 percentage points higher than that for all non-fuel goods imported from Africa. Second the OECD restrictions often take the form of price raising measures, although energy products are also subject to quotas and special import authorization requirements (quotas in Japan are particularly important). A third point is that NTBs on energy imports were virtually unaffected by the Uruguay Round. As a result, in the post-Uruguay environment this sector will be one of the more heavily NTB ridden of all product groups.

Country	Measures Applied	Products Affected
Australia	None Reported	No restrictions reported on any coal, petroleum or gas imports.
Austria	Licensing, Excise Taxes	License required to import lignite. Excise taxes applied to crude and refined petroleum products.
Canada	None Reported	No restrictions reported on any coal, petroleum or gas imports
European Union	None Reported	No restrictions reported on any coal, petroleum or gas imports.
Finland	Licensing, Quotas	Discretionary licensing for coal, coke and crude and refined petroleum. Global quotas on refined petroleum products, gasoline and petroleum based coke.
Japan	Quotas, Tariff Quotas	Global quotas on coal imports. Tariff quotas on refined petroleum products and gasoline.
New Zealand	None Reported	No restrictions reported on any coal, petroleum or gas imports.
Norway	Import Authorization	Import authorization needed for peat, refined petroleum and gasoline.
Sweden	Additional Charges	Special additional fiscal charges on coal and natural gas
Switzerland	Surcharges, Excise Tax	Surcharges applied to fuel oil imports. Excise taxes on petroleum based lubricants
United States	Product Specific Tax	Special taxes and charges on crude and refined petroleum products

The above tabulations list the types of restrictions that are applied to energy imports in 11 major OECD markets. The fact that price raising measures (tariff quotas, product specific taxes, surcharges, etc.) are applied in over one-half of these countries could have implications for exporters of refined products, i.e., any attempts to increase trade through subsidies or other price lowering measures could be offset by increased taxes on imports. Importing countries might have an incentive to raise these charges to protect domestic refining industries (or domestic coal producers as in the case of Japan) and could easily do so given that none of these special charges are legally bound under existing GATT regulations.

From the viewpoint of energy exporting countries, how much importance should be attributed to the measures listed above. While there appear to have been no formal studies that attempted to estimate their ad valorem incidence there is reason to believe that they do not have a major cost raising impact on imports. Energy is an important production input for many key OECD industries (agriculture, ferrous and nonferrous metals, transport and machinery, etc.) and binding import restrictions on coal, oil and natural gas could severely disadvantage domestic industry relative to foreign suppliers. However, given that, in the post-Uruguay Round environment, this will be one of the most heavily NTB ridden sectors, further analysis is warranted on the impact of these measures on the level and structure of energy trade.

measures, which are applied to many agricultural products, is more than double that of quantitative restrictions. Voluntary export restraints (including MFA restrictions on Africa) are marginal -- they affect only about four-tenths of a percent of SSA exports and are only applied to shipments from Mauritius and Nigeria.

#### IV. The Achievements of the Uruguay Round

The foregoing discussion established two main points. First, before the Uruguay Round some African countries faced important OECD nontariff barriers, although others exports were largely unaffected. Second, these measures are applied more often against developing countries than against other countries' exports. This situation will change markedly as a result of the Uruguay Round's achievements in the areas of agriculture, textiles and clothing, and safeguards. While the Round also achieved agreement on the elimination of "voluntary" export restraints these measures are only of marginal importance to a few African countries' exports.

##### A. Agriculture

After more than four decades during which the agriculture was excluded from mainstream GATT rules the Uruguay Round achieved a major breakthrough. The agreement requires that participating governments do not "maintain, resort to, or revert to any measures of the kind which have been ... converted into ordinary customs duties."<sup>13</sup> The barriers to be converted include virtually all nontariff measures. Specific mention is made of quantitative import restrictions, variable import levies, minimum

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<sup>13</sup>Article 4.2 of the Agreement on Agriculture. Essentially, the Agreement covers all items in Harmonized System chapters 1 through 24 (excluding fish and fish products) plus a number of additional products like: raw cotton, silk, flax and hemp; wool and animal hair; raw fur skins and other hides and skins; sorbitol and mannitol; essential oils; and several finishing agents. As a result of the exclusion of fish, this product group (along with chemicals and energy products) will be among the most heavily ridden NTB sectors after the Round.

import prices, discretionary import licensing, and nontariff measures maintained through state trading enterprises, and voluntary export restraints.

Nontariff measures are to be converted into ad valorem or specific tariffs as soon as the agreement enters into force. The resultant tariffs are to be "bound" and reduced over a period of six years.<sup>14</sup> The agreement includes a special safeguard measure which allows an additional duty to be imposed on a product if its price falls, or the volume of imports increases, by a specified amount.

The conversion of NTBs under the "tariffication" exercise is based on the difference between internal and external prices during 1986-88. The relevant calculations have been undertaken at the four- or six-digit level of the Harmonized System. Tariff equivalents for most processed products were not calculated from direct price comparisons, but were computed as an average of those for the component products weighted by their share in the final good. Both the base year for the tariffication exercise, and the manner in which the calculations were undertaken, could lead to increases in the level of short-term protection, but any such increases should be lowered by the tariff reduction commitments (i.e., industrial countries will lower tariffs by 36 percent over six years while developing countries will stage reductions of 24 percent over ten years). In addition, "tariffied" products are subject to minimum access requirements which are guaranteed, where necessary, through tariff quotas.<sup>15</sup> The Round also achieved commitments to reduce domestic agricultural support measures and export subsidies. These changes should both increase export opportunities for African countries and also substantially reduce the level of

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<sup>14</sup>A tariff binding is the legally set maximum rate at which an import duty may be set. Actual tariffs can be below the bound rate, but cannot rise above it unless the rate is renegotiated with a country's trading partners. It should be noted the period of tariff reduction is extended to ten years for developing countries, and the least developed countries are not required to make any reductions. They are, however, prohibited from maintaining nontariff measures.

<sup>15</sup>Minimum access opportunities are provided when imports of a product subject to tariffication are less than 5 percent of domestic consumption in the 1986-88 base period. The minimum access opportunity is equal to 3 percent of the base period consumption in the first year, rising to 5 percent in six years. In the case where imports of tariffied products exceeded 5 percent of consumption in the base period countries must maintain the access opportunity that existed in the base period.

price instability in international markets for agricultural goods (see Box 2 on this later point).

A narrowly defined exception has been made to the general elimination of nontariff measures. Countries may designate certain agricultural products for "special treatment" if they meet specified criteria, thereby exempting them from the tariffication requirement. Despite the right to maintain NTBs on designated products, minimum access requirements will apply on these products will bring their level of import penetration (i.e., the ratio of imports to consumption) from a minimum of 4 percent up to 8 percent by the end of the six-year implementation period. In order to qualify for special treatment, imports of designated products must comprise less than 3 percent of corresponding domestic consumption in the 1986-88 base period. Second, designated products should not have benefitted from any export subsidies since the beginning of the base period. Third, measures restricting domestic production should be applied to the relevant primary agricultural product. Perhaps the most important example of a product receiving this special treatment is rice in Japan.

#### **B. Textiles and Clothing**

Discriminatory quantitative restrictions on imports have been prevalent in the textiles and clothing sector for over 30 years, starting with the Short-Term Arrangement Regarding International Trade in Textiles in 1961. This was followed in 1962 by the Long-Term Arrangement which lasted until 1974 when the first Multifiber Arrangement (MFA) was ratified. The current arrangement (MFA IV) runs until December 31, 1994. These arrangements have covered a growing number of products over the years and have become increasingly restrictive (Laird and Yeats, 1991).

The Agreement on Textiles and Clothing in the Uruguay Round provides for the elimination of MFA-type arrangements or, in other words, of all NTBs in the sector over a ten year period. The phase-out will gradually involve the progressive elimination of quantitative restraints by product category combined with continuing quota expansion (i.e., quotas must be expanded by not less than the amount

## Box 2: Nontariff Measures and International Price Stability

Initial analyses of the Uruguay Round's accomplishments relating to NTBs tend to focus on the resulting trade gains. This orientation understates the importance of what was achieved since there is reason to believe other benefits should also result. African countries, for example, have long been concerned with the effects of price and earnings instability for their major exports and imports and have been strong supporters of measures like STABEX and UNCTAD's Common Fund which would assist them counter the adverse effects. Related studies have shown, however, that industrial countries' nontariff measures are an important source of this instability. For example, quotas and other quantitative restrictions (like VERS) make the import demand curve completely inelastic at the point where they become operative. As such, any shift in export supply will result in a greater price change than that which would occur under normal demand conditions. Similarly, European countries' variable import levies -- which are widely applied to agricultural imports -- are designed to shield domestic producers from instability in agricultural prices and earnings, but in doing so have a destabilizing influence on international markets.<sup>1</sup> Actions taken during the Round on NTBs should reduce the importance of the effects of international price instability on African economies.

Variable levies may have both an upward and downward destabilizing influence on the products to which they are applied. When world prices rise variable levies fall and may become negative (i.e., they become subsidies on imports) if the world price rises above the EC's threshold price. In this case EC import demand is higher than under a nominal tariff. The excess demand in an inflationary period contributes to a further increase in world prices. In periods when world prices are falling, however, the variable levies rise thereby restricting any increase in demand. Thus, through their perverse effects on import demand variable levies destabilize world prices. Although the EU and EFTA countries rely heavily on these measures variable levies are also used by the US and Japan.

Aside from levies, other types of nontariff measures are also recognized to have a destabilizing impact on international trade and prices. For example, in an analysis of international commodity markets the OECD (1982) compiled the following matrix which showed how international price instability would be affected by different NTBs

	Variance of Price Instability Compared to that Under Free Trade	
Importing Country Measures	Exporting Country	Importing Country
Specific Tariff	same	Same
Ad Valorem Tariff	smaller	Larger
Fixed Quota	Generally Larger	Generally Larger
Proportional Quota	Generally Larger	Generally Larger
Import Prohibition	Generally Larger	Generally Larger
Price Fixing	Larger	Smaller or the Same
Variable Levy	Larger	Smaller

relative to what would occur in a free trade situation. The importance of this classification is highlighted by the fact that Laird and Yeats (1990, p. 105) show that more than 70 percent of EC(10) imports of meat, cereals, dairy products, sugar and honey, live animals, and beverages are subject to variable import levies or minimum import prices. Levies are also applied to over 80 percent of Japan's sugar and honey imports while fixed quotas are applied extensively to Japan's meat, dairy, fish and cereal imports. While attempts to quantify exact magnitudes would be useful, there is every indication that the Uruguay Round's "tariffication" of NTBs will make an important contributions to the reduction of global price and trade instability for agricultural products.

<sup>1</sup>Food security issues have been a major concern on many African countries and one factor increasing these concerns is the wide variability in international prices for basic import staples like grains. Sampson and Snape (1980) develop quantitative evidence showing that OECD nontariff barriers have played an important role in increasing price instability for these goods. This, in turn, raises the cost of food security programs.

of quota growth during the 12 month period prior to entry into force of the agreement). Restrictions must be removed from products accounting for not less than 16 percent in terms of 1990 volumes of items covered by the MFA as soon as the agreement enters into force. There are then three additional phases that take effect at the beginning of the fourth, eighth, and end of the tenth years in which an additional 17 percent, 18 percent and 49 percent of the 1990 import volumes must be fully liberalized. Box 3 provides some indication as to how Africa may be affected by the MFA phase out.

The agreement also establishes a "transitional safeguard" mechanism that allows NTBs to be used in certain circumstances. These safeguards can be applied if increased import volumes cause, or threaten, serious damage to the domestic industry, and they can be maintained for a maximum of three years. The safeguard is invoked on a country-by-country basis, but can only be applied on products which have not yet been integrated into GATT/WTO rules (i.e., products on which MFA type quotas may still be applied). A second restriction on the use of the special safeguard is that it cannot be invoked on an eligible (non-integrated) product if that item is already subject to a MFA quota in the market concerned.

Unlike agriculture, where the removal of most NTBs will occur immediately when the agreement enters into force, the process in the textile and clothing sector will be more gradual. Indeed, 49 percent of all quota restrictions by volume existing in 1990 could still be in place until the last day of the ten year phase-out period. Use of the transitional safeguard could also raise the coverage of NTBs above the levels initially suggested by the phase-out schedule. Moreover, since the MFA and its phase-out program are built on a series of bilateral arrangements, and countries face quite different levels of restrictions, it is difficult to make any straightforward judgements about how individual developing countries will be affected. Indeed, the possibility exists that some aspects of the agreement may have adverse implications for Africa unless appropriate policies are pursued (see Box 3).

### Box 3: Implications of the Removal of the MFA for African Countries

For over 30 years international trade in textiles and clothing was restricted by the Multifiber Arrangement and its predecessor the Short-Term Textile Arrangement. These "agreements" established quotas on developing countries' exports to the OECD based on pre-existing market shares. This had positive implications for some developing countries and negative effects on others. For example, developing countries that lost their cost competitiveness were still able to export textiles and clothing because of the MFA quotas' "market reservation" effects. Countries which were new producers, or were becoming increasingly cost competitive, found their market shares frozen. With few exceptions (Mauritius and Nigeria) Africa does not face MFA restrictions. However, the MFA probably had positive implications for African exporters in that they were shielded from direct competition with countries that may be more competitive producers (i.e., China, Thailand, Sri Lanka, etc.) due to MFA constraints on the latter.

This situation will be altered dramatically due to the Uruguay Round. MFA quotas will be phased out over 10 years. At this point textile trade will become subject to *aggressive international competition*. Whether Africa can maintain viable textile and clothing exports will depend solely on its ability to compete on even terms with other producers.

Very limited information is available on relative costs in Africa vis-a-vis other textile producing countries, yet the data that exists indicates Africa may have problems. For example, the following shows estimates of the direct costs (in US dollars) for the production of a man's casual long sleeved shirt in India, the United Arab

Item	Zimbabwe	Kenya	Senegal	Ghana	India	UAE
Fabric	3.28	3.00	4.31	3.18	2.90	2.95
Misc. Materials	0.31	0.40	0.55	0.42	0.39	0.37
Washing	0.10	0.12	—	0.11	0.12	0.12
Labels/Packaging	0.16	0.31	0.36	0.36	0.40	0.42
Direct & Indirect Labor	1.72	1.34	2.36	1.22	1.22	1.60
Transport to Port	0.18	0.20	0.15	0.05	0.15	0.17
TOTAL OF ABOVE ITEMS	5.75	5.37	7.73	5.34	5.18	5.63

Source: Biggs *et. al.* (1994). The authors report (p. 37) that no data could be collected for Cote d'Ivoire because the only remaining garment exporter was unable to compete for standard shirt export orders. Also, the authors include a MFA quota cost in India's total production costs. These charges are excluded from the above totals due to the Round's agreed phase-out of MFA restrictions. It should be noted that the above cost comparisons were made for a period prior to the CFA devaluation. As a result of this exchange rate adjustment Senegal's cost structure is now probably closer to that of the other countries.

Emirates, and four African countries. In each case, Africa's production costs are above those for India. Costs in Senegal are actually about 50 percent higher. Ghana comes closest to matching the Indian cost structure, but still are 3 percent higher. It should be noted that the above do not incorporate any adverse marketing and distribution costs that may also affect Africa.

It is important to note that other Uruguay Round achievements could have implications for Africa which are similar to those described above. The Round achieved agreement on the removal of all "voluntary" export restraints on individual countries that appear to have a strong comparative advantage in the affected products. The removal of these VERs could significantly increase competitive pressures on African exports of products like footwear and ferrous metals. This could also produce export losses.

To compete effectively in the post-Uruguay environment Africa will need to adopt reforms that will allow domestic producers to be cost competitive. These reforms must address a broad range of measures, from the impact of government imposed trade barriers that raise the costs of imported production inputs, to measures that limit access to the most efficient international sources of finance, technology, transport and communications. Indeed, the Uruguay Round appears to have shifted the focus for further reforms to the African countries themselves to ensure that they can react to the new export opportunities and competitive challenges resulting from the multilateral trade negotiations.



### C. Safeguards and the Implications for "Voluntary" Restraints

Over the years, the GATT's safeguard provisions have been used less frequently. This was partly because governments preferred to seek bilateral accommodation when addressing import competition considered unacceptably damaging to domestic industry. The GATT's safeguard rules permit the use either of import duties or quantitative restrictions, but require a nondiscriminatory application of measures and payment of compensation through additional trade liberalization.

Voluntary export restraints, and similar bilateral arrangements involving exporters in the administration of restrictions became an increasingly common approach to the protection of domestic industries. Exporters wished to avoid having direct (possibly more restrictive) import barriers on their goods which could also reduce any rents associated with VERs. Importers preferred a less transparent protective arrangement, and one where neither explicit compensation, nor the constraint of nondiscrimination rule, would apply.<sup>16</sup>

The Uruguay Round Agreement on Safeguards seeks to provide more flexible arrangements, but under tighter rules. There is a relaxation of the nondiscrimination rule in exceptional circumstances, and no compensation is required during the first three years that a measure is applied. On the other hand, safeguards can only be applied for a limited period (four years, renewable for a further four), and cannot be renewed for the same time period for which they were originally applied. In addition, safeguards must be progressively liberalized, and are subject to surveillance and review.

The most significant feature of the safeguards agreement, however, is the *commitment to eliminate all voluntary restraints (VERs)*. All VERs, with the exception of one, are to be removed within a period

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<sup>16</sup>Another reason why safeguard measures were used less frequently may have been the growing reliance on antidumping and countervailing duty actions. While safeguard actions are a tacit admission of the inability of a domestic industry to compete, antidumping and countervailing duties are instruments whose justification is the counteraction of unfair behavior on the part of foreign producers or governments.

of four years.<sup>17</sup> This commitment implies a significant reduction in nontariff measures facing all developing countries, although the immediate direct impact on African exporters, which with one or two exceptions do not face these measures, will be limited (Africa could, however, face substantial new competition from countries whose exports were formerly blocked by VERs).

#### V. Implications for African Exports; The Round's Effects on NTBs

The overall importance of pre-Uruguay Round NTBs is evident from the fact that approximately \$5.9 billion of OECD imports from Africa face these measures — \$4.4 billion excluding South Africa, see the data in Table 3. This raises the question of how the Round will influence the overall level of nontariff protection facing sub-Saharan Africa and how will the relative importance of NTBs on different types of export products change. Using published details on the agreement (GATT 1994), Table 7 provides an indication by showing the pre-Uruguay Round NTB coverage ratios for each African country along with an estimate of what the ratio will be after the agreement is implemented. These estimates were derived by tabulating the value of pre-Uruguay Round trade that will still be subject to (post-Uruguay Round) NTBs, and then expressing this value as a share of total (pre-Uruguay Round) exports.<sup>18</sup> In order to more clearly show the impact of the Round, Table 7 classifies countries into three groups (highly NTB affected, moderately affected, and largely unaffected) based on their pre-Uruguay Round coverage

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<sup>17</sup>The exception of a single measure from the general phase-out commitment was designed to accommodate the wish of the EU to continue to restrict Japanese auto imports. According to the agreement, however, the single exception permitted to each party runs only until December 31, 1999.

<sup>18</sup>The results -- the post Uruguay Round coverage ratio ( $C_{pr}$ ) -- was derived from,

$$C_{pr} = V_m \div V_b$$

where  $V_m$  is the value of pre-Uruguay exports that will still be subject to post-Uruguay Round NTBs and  $V_b$  is the total value of pre-Uruguay Round exports. This measure probably overstates the importance of remaining nontariff barriers since the removal of the OECD nontariff barriers should produce a trade response. That is, African exports should increase as a result of the liberalization of OECD NTBs which would make the denominator in the above expression larger, and coverage ratio smaller. Whether African trade in textiles and clothing expands, however, largely depends on these countries adoption of necessary measures to achieve cost competitiveness.

Table 7. Pre and Post Uruguay Round NTB Coverage Ratios for Individual Sub-Saharan African Countries.

			OECD Nontariff Measure Coverage Ratio					
	1992 OECD Imports (\$ million)		All Goods			All Non-Oil Goods		
Exporter	All Goods	All Non-Oil Goods	Pre- Uruguay	Post- Uruguay	Change	Pre- Uruguay	Post- Uruguay	Change
<b><u>HIGHLY NTB AFFECTED</u></b>								
Seychelles	37	37	91.4	84.7	-6.7	91.4	84.7	-6.7
Reunion	154	154	83.0	0.0	-83.0	83.0	0.0	-83.0
Mauritania	1279	1279	61.6	2.2	-59.4	61.7	2.3	-59.4
Cape Verde	7	7	39.5	0.0	-39.5	39.5	0.0	-39.5
Congo	1440	508	38.5	38.0	-0.5	3.8	2.2	-1.6
Malawi	393	393	29.6	3.7	-2	29.6	3.7	-25.9
Cameroon	1577	814	20.8	19.7	-1.1	3.7	1.6	-2.1
Zimbabwe	875	875	20.3	6.9	-13.4	20.5	7.1	-13.4
<b><u>MODERATELY NTB AFFECTED</u></b>								
Senegal	362	357	19.1	0.0	-19.1	19.1	0.0	-19.1
Sao Tome & Principe	5	5	17.2	2.7	-14.5	17.5	3.0	-14.5
Gabon	2119	458	15.8	15.8	0.0	1.5	1.5	0.0
Nigeria	11379	497	14.4	14.4	0.0	1.0	0.9	-0.1
Cote d' Ivoire	2258	2223	14.1	1.5	-12.6	14.4	1.6	-12.8
South Africa	11132	9490	13.0	3.7	-9.3	11.5	0.6	-10.9
Sudan	149	149	12.4	4.1	-8.3	12.4	4.1	-8.3
Burkina Faso	53	53	12.3	0.0	-12.3	12.3	0.0	-12.3
Mozambique	147	147	10.3	0.6	-9.7	10.3	0.6	-9.7
Somalia	19	19	9.0	0.0	-9.0	9.0	0.0	-9.0
Madagascar	340	340	7.6	2.9	-4.7	7.6	2.9	-4.7
Djibouti	4	3	5.2	5.2	0.0	5.2	5.2	0.0
Angola	3684	219	4.7	4.7	0.0	1.2	0.8	-0.4
Tanzania	266	266	3.8	0.5	-3.3	4.1	0.8	-3.3
Kenya	837	833	3.5	0.3	-3.2	3.5	0.3	-3.2

Table 7. Continued

			OECD Nontariff Measure Coverage Ratio					
	1992 OECD Imports (\$ million)		All Goods			All Non-Oil Goods		
Exporter	All Goods	All Non-Oil Goods	Pre- Uruguay	Post- Uruguay	Change	Pre- Uruguay	Post- Uruguay	Change
<b><u>NTB UNAFFECTED COUNTRIES</u></b>								
Ethiopia	160	160	1.8	1.2	-0.6	1.8	1.2	-0.6
Mauritania	413	413	1.3	1.0	-0.3	0.3	0.0	-0.3
Guinea Bissau	8	8	1.3	0.2	-1.2	1.6	0.5	-1.2
Benin	76	66	1.3	0.3	-1.0	1.5	0.3	-1.2
Rwanda	64	64	1.1	0.2	-0.9	1.1	0.2	-0.9
Zambia	630	630	0.7	0.0	-0.7	0.7	0.0	-0.7
Comoros	28	28	0.6	0.6	0.0	0.6	0.6	0.0
Gambia	183	183	0.5	0.3	-0.2	0.5	0.3	-0.2
Togo	121	118	0.5	0.1	-0.4	0.5	0.1	-0.4
Ghana	886	872	0.4	0.2	-0.2	0.2	0.0	-0.2
Mali	117	117	0.4	0.2	-0.2	0.4	0.2	-0.2
Guinea	526	526	0.3	0.1	-0.2	0.3	0.1	-0.2
Niger	184	184	0.2	0.1	-0.1	0.2	0.1	-0.1
Burundi	74	74	0.1	0.0	-0.1	0.1	0.0	-0.1
Chad	66	66	0.1	0.1	0.0	0.1	0.1	0.0
Central African Rep.	102	102	0.1	0.1	0.0	0.1	0.1	0.0
Equatorial Guinea	39	39	0.1	0.1	0.0	0.1	0.1	0.0
Sierra Leone	354	354	0.1	0.0	-0.1	0.1	0.0	-0.1
Uganda	162	162	0.0	0.0	0.0	0.0	0.0	0.0
Zaire	1277	1126	0.0	0.0	0.0	0.0	0.0	0.0
Liberia	804	720	0.0	0.0	0.0	0.0	0.0	0.0
Sub-Saharan Africa	44791	25137	13.1	8.0	-5.1	10.8	3.3	-7.5

Source: NTB information from World Bank-UNCTAD SMART Database. Trade data from UN COMTRADE Records.

ratios.

For several countries the estimated change in the nontariff barrier coverage ratios are dramatic. Prior to the Uruguay Round, 83 percent of Reunion's exports (which consist largely of sugar) faced OECD restrictions while this ratio should fall to zero as a result of the agreement. The coverage ratio for Mauritius should decline by almost 60 percentage points (to just over 2 percent) after textile and clothing restrictions are lifted from this countries' exports, while the tariffication of agricultural NTBs causes Cape Verde's ratio to decline from about 40 percent to zero. Overall, the share of Africa's non-oil exports that face nontariff barriers should decline from approximately 11 to about 3 percent.<sup>19</sup> This implies that about \$2 billion of Africa's exports that formerly faced restrictions will no longer be covered.

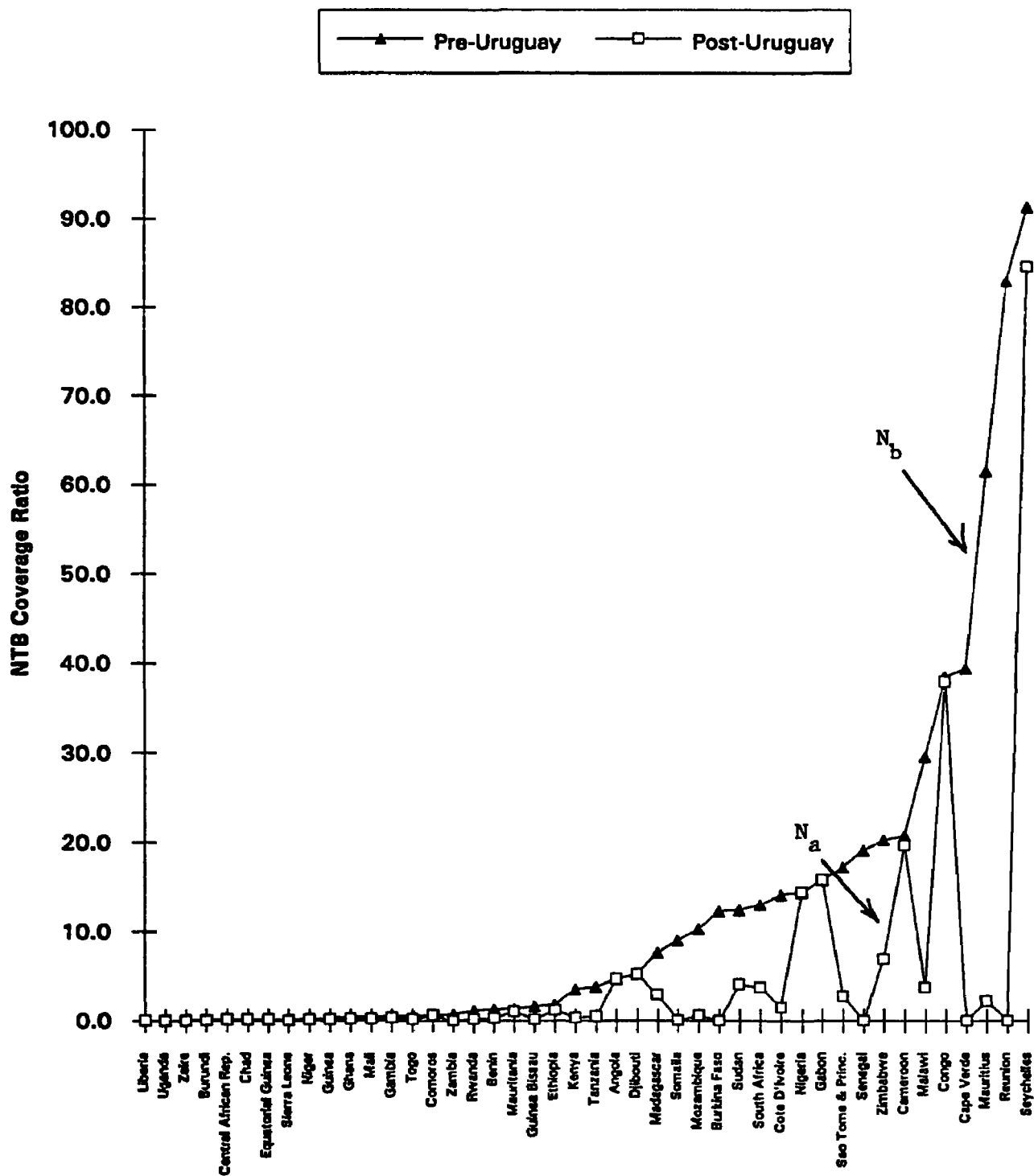
Figure 2 presents another prospective on the impact of the Round by showing how it altered the overall profile of nontariff protection facing Africa. The top most line  $N_0$  ranks African countries in terms of increasing pre-Uruguay Round NTB coverage ratios (the ratios increase as one moves rightward along the horizontal scale), while the lower line ( $N_1$ ) indicates what the estimated coverage ratio for each country will be after the Round. Actual values of NTB coverage ratios are recorded on the vertical axis.

This presentation suggest that African countries could be classified in three groups as far as the Uruguay Round results are concerned. Those in the left side of the figure (like Burundi, Ethiopia, Gambia or Mali) had very low coverage ratios before the Round so these countries' direct export prospects could not be much improved. They do have the potential, however, of being adversely affected by more aggressive competition with exporters who were formerly restricted by the MFA Agreement or by "voluntary" export restraints (see Box 3). Second, the right hand side of the Figure identifies countries like Reunion and Mauritius which previously had high NTB ratios that will fall dramatically due to the Round. These countries may have significant new export opportunities, although they too

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<sup>19</sup>The estimated post-Uruguay Round coverage ratio is probably an overestimate since it does not account for the trade response that should accompany the removal of NTBs. That is, exports of some previously NTB affected products will increase which would reduce the share of products still facing these restrictions.

**Figure 2: Illustration of the Impact of the Uruguay Round on the Profile of Nontariff Protection Facing African Countries**



African Countries Ranked in Terms of Increasing Pre-Uruguay NTB Coverage Ratio

should prepare for more aggressive international competition. Between these two groups are a number of countries like Nigeria, Congo, Gabon or the Seychelles with relatively high pre-Uruguay NTB ratios that were largely unaffected by the UR agreement. In most cases, the failure of the Round to liberalize restrictions on energy products account for these results (as noted, the exclusion of fish explains the high post-Uruguay ratios for the Seychelles and a few other countries. However, even with these exceptions Figure 2, shows the Round had a major impact in lowering nontariff protection facing Africa.

## **VII. Summary, Conclusions and "Unfinished" Business**

Perhaps the major accomplishment of the Uruguay Round relates to agreements that were reached on nontariff barriers. All NTBs imposed under the Multifiber Arrangement (MFA) will be phased out over a ten year period as will all "voluntary" export restraints. OECD countries' nontariff barriers on agricultural goods will be converted to tariffs and then reduced by an average of 36 percent. Agreement was also reached on limiting subsidies and other incentives to support agricultural exports.

These achievements will markedly change the profile of OECD nontariff protection facing Africa. Formerly, about 11 percent of sub-Saharan Africa's non-fuel exports faced NTBs – this ratio will fall to about 3 percent because of the Uruguay Round. For some African countries the changes will be dramatic. Pre-Uruguay Round NTBs covered more than 60 percent of Mauritius' exports – this ratio will fall to about 2 percent as a result of the Round. Formerly, 83 percent of Reunion's exports faced NTBs and this ratio will drop to zero. However, some African countries will be largely unaffected by the Uruguay Round's accomplishments. No NTBs on energy products were liberalized so the coverage ratios for countries like Angola, Congo and Nigeria will remain relatively high. Exclusion of fish from the Round's agreement on agriculture limited the benefits to countries like the Seychelles that specialize in these exports. Others simply faced no (or few) nontariff restrictions prior to the trade negotiations.

While there is a (correct) tendency to regard these developments as being positive from the viewpoint of all developing countries as a group, some may incur losses. Trade in textiles and clothing has been rigidly controlled over the last three decades through the use of quotas imposed under the Multifiber Arrangement. The phase out of these restrictions over a 10 year period will subject African exports to aggressive international competition. The ability of many African countries to maintain a viable textile and clothing export sector depends on their capacity to implement necessary reforms aimed at achieving cost competitiveness. The fact that the MFA liberalization is so heavily backloaded (roughly one-half of the restrictions will be removed at the end of a ten year period) provides ample time for adjustments to be implemented. In any event, losses of market share for textiles and clothing need not be an accurate indication as to the impact on welfare -- particularly if African exports are heavily subsidized. Africa should also face more vigorous competition on products like footwear and ferrous metals, where exports from some other developing countries were formerly restrained by "voluntary" restraints which were eliminated by the Round.

Some of the Uruguay Round's effects in agriculture could also be potentially negative unless appropriate domestic policies are adopted. The tariffication (and reduction) of NTBs, along with limits on export subsidies, could raise international prices of some important staples which could have adverse effects on African net food importers. Reforms to ensure that prices paid domestic producers increase in line with international prices (thereby stimulating a local supply response) could limit increases in the food import bill. The removal any domestic constraints that prevent local producers from taking full advantage of new export opportunities has clearly assumed increased importance in the post-Uruguay Round world.

As far as "unfinished" business is concerned, further initiatives are needed to address NTBs facing energy products, fish and chemicals since these were largely bypassed by the Round. Since little information is now available on their trade impact, efforts should be made to estimate the levels of



protection afforded by the post-Uruguay NTBs (as was done previously in the "tariffication" exercise for agriculture). These NTB nominal equivalents could be helpful in establishing priority sectors for post-Uruguay Round action. Also, there is a need for stricter regulations on the use of OECD antidumping duties and safeguards to ensure that these forms of protection are not substituted for those that were eliminated. However, a very large part of the unfinished business involves reforms in the African countries themselves to ensure they can react to the new export opportunities and competitive challenges resulting from the Uruguay Round.

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